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A REPLY TO PROFESSOR B. H. MEYER, PRIVY
COUNCILOR VON DER LEYEN, PROFESSOR
WILLARD FISHER

PART I

At the annual meeting of the American Economic Association, held at Baltimore in December, 1905, Professor B. H. Meyer, in relying in part on arguments furnished him by Privy Councilor von der Leyen, a prominent Prussian railway official, charged me with arguing in bad faith and with making misleading statements in *Government Regulation of Railway Rates*. Mr. von der Leyen has repeated the charges in the January issue of *Archiv für Eisenbahnwesen*, a journal issued from the Prussian ministry of public works; and Professor B. H. Meyer has repeated his charges in the February number of the *Journal of Political Economy*, issued by the University of Chicago.

Professor B. H. Meyer's charges were supported at Baltimore by Professor Willard Fisher, whose statement will be found in the *Proceedings of the American Economic Association*, unless those *Proceedings* shall be "edited." Professor Willard Fisher, who spoke, not extemporaneously, but as one of the speakers selected long in advance by the committee in charge of the meeting, accused me of misleading the reader of *Government Regulation* by quoting a railway rate made in an American rate-war as a normal rate, thus making it appear that American rates were much lower than European rates. Professor W. Fisher cited the

following passage, which he alleged was to be found in *Government Regulation*: "In the United States millions of tons of wheat for export have moved to the seaboard at less than 1.5 mills per ton-mile." He said that statement led the reader to believe that 1.5 mills was a normal rate, but that it turned out, in an entirely different part of the book in question, that the rate quoted was entirely abnormal, having been made in the course of a rate-war. The sentence which Professor W. Fisher alleged was to be found in *Government Regulation* reads as follows (p. 145):

In the United States millions of bushels of wheat for export have moved to the seaboard at less than 1.5 mills per short ton-mile, and probably the average receipts for grain moving to the Atlantic seaboard for export are nearer 2 mills than 3 mills per short ton-mile.

The most serious charge made by Professor B. H. Meyer and Privy Councilor von der Leyen alleges that I acted in bad faith when I referred to an article in the *Zeitung des Vereins Deutscher Eisenbahnverwaltungen* in support of the statement of fact that there were 14,000 milch cows in Berlin in the year 1902. In order to make clear the question at issue, it will be necessary for me to summarize the article, and to comment upon parts of it. The article, signed B., and written by Mr. Brand, *Eisenbahn-Sekretär* in Münster, Westphalia, describes the arrangements for handling milk upon the German railways, as well as the rates charged for carrying the milk. It speaks of Germany as a whole, but makes occasional references to specific places, such as Berlin, Bavaria, and Westphalia.

The keynote to the article is struck in the opening paragraph, which reads:

In consequence of the extraordinary growth of our cities in the last few decades, the business of supplying those cities with milk has become a more and more difficult one. It is true, large dairies have been established in the heart of the cities (*mitten in den Städten*). In Berlin the well-known dairy of Mr. Bolle is said to have 14,000 cows, which supply daily about 85,000 liters of milk, for the needs of about 50,000 households. In addition, there are in the suburbs of Berlin several hundred dairies of fair proportions, which send their milk to Berlin by wagon. But those sources of supply do not in the least suffice; hundreds of thousands of liters must be

brought in from the country, mainly by rail, and in part from very distant points. The railway supply of milk is handled by milk-dealers, a newly established set of middle-men.

With this paragraph before him, Professor B. H. Meyer asserts positively that Mr. Brand's statement as to the 14,000 cows is made "in a casual¹ way," and is "expressly put forward as a matter of report or hearsay, in a manner entirely incidental² to the main purpose of the article, of which our author leaves his readers in complete ignorance." The reader, who now has before him the complete paragraph, now is able to ascertain for himself that the words "casual"¹ and "incidental,"² in their established meaning cannot be applied to Mr. Brand's statement. That statement is made in illustration, and in support, of the most vital statement in the paragraph which strikes the keynote to the entire article, to wit, that it is becoming increasingly difficult to supply Germany's cities with milk. But since Professor B. H. Meyer contented himself with quoting only one part of a single sentence in a vital paragraph, the reader of the article in which Professor Meyer charged me with bad faith could not judge for himself whether or not that charge was warranted.

Professor Meyer next charges me with citing as a statement of fact what Mr. Brand put forward "as a matter of report or hearsay" only. He professes to quote Mr. Brand's entire sentence; but in fact omits two important clauses, which convey the definite information that the cows in question "supply daily about 85,000 liters of milk for 50,000 households." It was precisely these additional clauses that led me, after prolonged consideration, to conclude that Mr. Brand attached credence to the report in question.

¹ *Century Dictionary*: "Casual: happening or coming to pass without (apparent) cause, without design on the part of the agent, in an unaccountable manner, or as a mere coincidence or accident; coming by chance, accidental; fortuitous; indeterminate: as a casual encounter. 'There is an expression, evidently not casual or accidental, but inserted with design.'—D. Webster, October 12, 1832."

² *Century Dictionary*: "Incidental: occurring, inseparably or fortuitously, in conjunction with something else, usually of greater importance; of minor importance; occasional; casual; as *incidental* expenses. 'It would be very useful indeed to have a record of the *incidental* discoveries, and of the minor studies which every historical scholar makes in the process of his work.'—Stubbs, *Mediæval and Modern History*, p. 54."

The report that a man has 14,000 cows might indeed be a mere rumor among the men in the street. But it would be too much of a task for the man in the street to carry in his memory the additional items, 85,000 liters and 50,000 households. Therefore I concluded that the report in question was not a report current among men in the street, but one current among men who had a personal or professional interest in the dairy business, and the problems connected with that business.

But I did not accept Mr. Brand's statement without checking it. In the official publications of Prussia and the German Empire I found that the number of milch cows in Berlin had increased from 2,584 in 1883 to 5,236 in 1892, and to 10,010 in 1900.³ I also found indications that the increase had been exceptionally rapid in the years 1898-1900. The official statistics available and known to me when I wrote *Government Regulation*, took me no farther than the year 1900. So far as they went, they corroborated Mr. Brand's article sufficiently to make me willing to assume the responsibility for accepting Mr. Brand's statement. It turns out, however, that the number of cows in Berlin did not increase in 1901 and 1902, but decreased—to 9,629; but that in 1903 and 1904 it increased again, having been 10,567 in December, 1904.⁴

I regret the error, and accept all the criticism which it warrants. But I venture to believe that the reader will agree with me that the argument in which the error occurs is not weakened by the fact that there were in Berlin, in 1902, not 14,000 cows, but 9,600.

In order to reply to Professor B. H. Meyer's further charge, to wit, that I suppressed facts in Mr. Brand's article that were damaging to my argument, I must state what there was in Mr. Brand's article; and then give my reasons for asserting that the facts in Mr. Brand's article not only did not go against my argument, but supported it. That I did not support my arguments on pp. 158 and 387 of *Government Regulation* with a detailed

³ *Preussische Statistik*, Hefte LXXVII, CXXIX, and CLIII; *Vierteljahreshefte zur Statistik des Deutschen Reichs*, Ergänzungsheft zu 1903, I.

⁴ *Vierteljahreshefte zur Statistik des Deutschen Reichs*, Ergänzungsheft zu 1905, IV. This publication did not come to me until January, 1906.

refutation of certain statements in Mr. Brand's article was due to the fact that I could not thus expand the arguments without unduly interrupting the narrative. I was aiming to write a book that should be readable—a book that, "with the least possible multiplication of statistical detail and dry technicality, should offer the would-be-well-informed layman in compact and comprehensible outline the salient features of an important and complex problem."

Mr. Brand, after making his illuminating introductory statement, describes the arrangements made from time to time for the purpose of stimulating the milk traffic. He informs those of his readers who are familiar with the Prussian rate schedule that there are no group rates for milk; that milk is classed with bees, bread, butter, fish, lobsters, fresh vegetables, berries, and fruit and is carried at rates which taper slightly. He also enables the fairly well informed reader to ascertain that throughout the vast territory served by the Prussian state railways there is but one, inflexible, charge for carrying milk. No matter how widely conditions may vary from place to place; no matter whether the problem be to supply a small city of 100,000 people, or a metropolis of some 2,300,000, the railway rate never varies. Discussing the success of the efforts to stimulate the milk traffic, Mr. Brand says:

Unfortunately there are no statistics at my disposal as to the respective quantities of milk shipped by rail in successive years, or as to the revenue yielded by the milk traffic.⁵ But the uninterrupted increase in the volume of the milk traffic [as a whole] compels the conclusion that the existing arrangements do justice to the public as well as to the railways. Above all, the distances that milk is shipped have grown longer and longer. In Prussia, indeed, they are considering the question of shipping milk from Hanover to Berlin, by the use of a newly invented process for cooling and preserving milk.

And elsewhere Mr. Brand says:

So much for Prussian milk rates and arrangements for handling the milk traffic, which now have been in force nearly twenty years, and, on the whole, have met the expectations of the men who established them.

⁵ Mr. Brand here is speaking of the milk traffic of Germany as a whole. Nowhere does he speak of the volume of the milk traffic at particular places, such as Berlin.

In the course of the labors involved in writing *Government Regulation*, I subjected these conclusions of Mr. Brand to a searching examination; with the result that I became convinced that, so far as Berlin was concerned, the method of supplying that city with milk was deplorable. I found, from official statistics, that while the population of Berlin proper had increased 68.3 per cent. in the period from 1883 to 1900, the number of milch cows in Berlin had increased 287 per cent. In 1883 there had been 2.3 cows for each 1,000 people; and in 1900 there were 5.3. Those facts showed that the increase in the supply of milk brought in by railway was not keeping pace with the growth of population. I contrasted those figures with the fact that, whereas the population of Greater New York had increased 40 per cent. in the period 1886 to 1895, the supply of milk brought in by rail had increased 47 per cent. or from 96.88 quarts per head to 103.13 quarts.⁶ With Mr. Brand's statement that the Prussian government in 1902 was considering the proposition of bringing milk from Hannover to Berlin—a distance of 172 miles—by means of a newly invented process for cooling and preserving milk, I contrasted the facts that in 1887 the Erie Railroad was bringing milk to Greater New York from Summit—a distance of 183 miles; and that the Ontario & Western was bringing milk a distance of 202 miles.⁷ With the fact that the Prussian government in 1902 was considering the adoption of an invention for cooling and preserving milk which should permit the shipment of milk a distance of 172 miles, I contrasted the fact that in the twenty years ending with 1895 the New York railroads had invested tens upon tens of thousands of dollars in cooling-plants and ice-houses, with the result that in 1895 milk could be shipped to New York City from points more than 400 miles distant. I also took into consideration the fact that in 1894 the Lackawanna alone carried into Greater New York, from points distant upward of 200 miles, not less than 17.5 per cent. of the total amount of milk brought into Greater New York by rail; as well as the fact that "the near-by section, comprised within a radius of 100 miles

⁶ "Milk Producers' Protective Association, v. Railways," *I. C. R.*, VIII.

⁷ Population of Greater New York, 1885, 2,227,000; population of Greater Berlin, 1902, 2,315,000.

of New York by direct lines, had participated but little in the more than 47 per cent. increase in the New York supply [of milk by rail] during the ten years including 1895"—to quote the words of the Interstate Commerce Commission.⁸

The final consideration that led me to reject without reserve the conclusions of Mr. Brand, was the presence of 10,010 milch cows in Berlin proper in December, 1900. Berlin, in 1900, was a city with an area of 25.4 square miles; and it had a population of 116 people per acre.⁹ If one were to carve out of the area occupied by our large American cities an inner area which should have an average density of population of 116 people to the acre, one would find within the area so carved out not 500 cows kept for dairy purposes. Indeed, I should be surprised to find in such an area a single dairy cow.¹⁰ The American railways have so adjusted their rates that it does not pay to operate dairies in the comparatively thickly settled portions of our large cities. Indeed, it is becoming less and less profitable to operate dairies even in those outlying regions that are given to vegetable gardens and truck farms. A recent report issued by the Department of Agriculture states that the milk brought by wagon into Boston and Philadelphia, respectively, "is gradually decreasing in amount as the agricultural land about the city increases in value and is more profitably devoted to market gardening than to dairying."¹¹ In 1905 milk was brought into Boston from points distant 213 miles; into Philadelphia, from points distant 353 miles.

⁸ "Milk Producers' Protective Association v. Railways," *I. C. R.*, Vol. 7.

⁹

	Year	Population	Area in Acres	People per Acre
Greater New York	1903	3,716,000	209,218	18.0
Chicago	1903	1,874,000	122,008	15.4
Philadelphia	1903	1,368,000	82,033	16.5
Greater Boston	1903	941,000	67,523	14.0
Berlin	1900	1,889,000	16,259	116.0

¹⁰ A recent bulletin (No. 81) issued by the Bureau of Animal Industry, and entitled *The Milk Supply of Boston, New York, and Philadelphia*, says that "five thousand cows are reported within the city limits." But Philadelphia has an area of 129 square miles, and an average density of population of only 16.5 people per acre.

¹¹ *The Milk Supply of Boston, New York, and Philadelphia*, pp. 11, 49.

The American railways, by making railway charges under which the dairies have been moved into the distant country districts, have improved the health of the city residents; they have cheapened the price of milk; and they have enabled the distant farmer to turn from general farming, as well as from butter-making, to the comparatively more profitable business of dairy-farming. When the Erie railroad built branch lines into Orange County, the farmers of that county largely turned from the making of butter to the shipping of milk to New York City.¹² Again, in recent years, creameries established in Maine, as far north as Gorham (129 miles from Boston), have turned entirely from the manufacture of butter to the shipping of cream to Boston.¹³

Since writing *Government Regulation*, I have examined *Berliner Statistik*, Heft 1—upon invitation of Privy Councilor von der Leyen, “of counsel” to Professor B. H. Meyer. Privy Councilor von der Leyen’s invitation was issued somewhat informally, being printed in the January issue of *Archiv für Eisenbahnwesen*, a publication issued from the Prussian ministry of public works. I find that, according to the official census of February 18, 1903, the railway charges for carrying milk into Berlin are practically prohibitive for points distant more than 75 miles.¹⁴ This fact explains the increase in the number of cows in Berlin proper from 9,629 in 1902 to 10,567 in 1904—that is, to 5.6 cows for each 1,000 people. I find also that in 1902, of the total of milk consumed in Berlin, and the immediately ad-

¹² “Milk Producers’ Protective Association v. Railways,” *I. C. R.*, Vol. VIII. p. 123.

¹³ *The Milk Supply of Boston, New York, and Philadelphia*, p. 9.

¹⁴ *Berliner Statistik*, Heft 1; W. Lotz, *Verkehrsentwicklung in Deutschland, 1800–1900*, p. 60, footnote; and *Zeitung des Vereins Deutscher Eisenbahnverwaltungen*, October 29, 1902.

Distance Hauled by Rail (in miles)	Proportion of Total “Railway” Milk Supply
Up to 25	34.74 ⁵
25 ¹ / ₂ to 50	45.77
50 ¹ / ₂ to 75	18.14
75 ¹ / ₂ to 93 ¹ / ₂	1.20
93 ¹ / ₂ to 125	0.13
125 ¹ / ₂ and over	0.02
	100.00

The charges for carrying milk into Berlin are:

joining suburbs of Charlottenburg, Schöneberg, and Rixdorf (themselves large cities), not less than 18 per cent. was produced within the limits of those four cities, by 11,431 cows, stabled in 926 stables; that 10 per cent. was brought in by wagon; and 72 per cent. by rail. And in order to correct any possible erroneous impression conveyed to the reader by Professor B. H. Meyer's restatement of Mr. Brand's statements *in re* milk trains in Prussia, I shall add that the official census showed that there were no milk trains running to Berlin. Not less than 50.9 per cent. of the "rail" milk was carried by ordinary freight trains, 37.3 per cent. by fast freight trains, and 11.8 per cent. by passenger trains.

Before concluding this part of the discussion, I shall draw the attention of the reader to a striking illustration of the effect of the distance tariff in concentrating the dairy industry. Reference to the subjoined footnote will show that 34.74 per cent. of the "railway" dairies' cows are located within 25 miles of Berlin; that 45.77 per cent. are located within 26-50 miles; and that 18.14 per cent. are located within 51-75 miles.¹⁵ Beginning

Distance in Miles	Cents, per can of 40 Quarts*	
	Ir. Less than 5.5 Ton Lots	In 5.5 Ton Lots
25.....	6.10	4.26
50.....	10.02	7.56
75.....	15.52	10.65
94.....	18.73	12.00
125.....	24.96	16.48
200.....	35.43	25.09
300.....	48.27	34.42

* These prices include the cost of returning "the empties" which latter are carried at half rates. The cans are assumed to weigh 35 per cent. of the weight of the milk. The census of February 18, 1903, showed that they weighed, on the average, 37.5 per cent. of the weight of the milk.

The charges for carrying milk into New York, Philadelphia, and Chicago, the reader will find in Bureau of Animal Industry, Bulletin No. 81, *The Milk Supply of Boston, New York and Philadelphia.*

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Respective Distances Milk Was Hauled. (In miles)	Proportion Borne by Milk Hauled These Respective Distances to Total of "Rail" Milk. (Per cent)
Not to exceed 12.5	2.75
Between 12.6 and 18.75	7.00
Between 18.8 and 25.	24.00
Between 25.1 and 31.25	13.20
Between 31.3 and 37.5	12.19
Between 37.6 and 43.75	11.13
Between 43.8 and 50.	9.25
Between 50.1 and 56.25	9.41
Between 56.3 and 62.5	3.10
Between 62.6 and 75.	5.54*
Between 75.1 and 93.75	1.20
Between 93.8 and 125	0.13
Between 125.1 and over	0.02

* Note that the distance interval is increased from 6.5 to 13 miles.

with points 25 miles distant from Berlin, the number of cows falls off, at first with astonishing rapidity, and then with un-failing regularity. There is but one exception to this extraordinary illustration of the working of the distance tariff: the number of cows stationed 50.1-56.25 miles from Berlin is slightly larger than the number stationed 43.8-50 miles from Berlin.

And now let the reader consider the dispersing power of the group rate on milk into New York City—the group rate which the Interstate Commerce Commission broke up in 1897, because “natural disadvantages of more distant producers have been thereby overcome, and producers nearer the market have been denied recognition of their more favorable location.”¹⁶ In a recent year the six leading milk counties shipped into Greater New York about 355,000,000 cans of milk. Orange County, which is nearest to New York, shipped 24 per cent. thereof; Delaware, which is more than twice the distance of Orange, shipped 19 per cent., Madison and Chenango Counties, considerably more distant than Delaware, each shipped 12 per cent.; while Dutchess, in distance intermediate between Orange and Delaware, shipped only 8 per cent. Sullivan, which is no farther than Dutchess, was not even included among the six leading counties. Finally, Herkimer and Oneida Counties, distant about three times as far as Sullivan County, were among the six leading counties, each shipping 6 per cent. of the aggregate shipped by the six leaders.¹⁷ The figures which I have just quoted would have been even more striking, had not the Interstate Commerce Commission, in 1897, seriously modified the group rate in force up to 1897, with the avowed purpose of checking the movement of the dairy business from the near-by counties where land and feed—prime factors in the cost of producing milk—are higher than they are in the more remote counties.

Since writing the foregoing pages, I have received, through the courtesy of Professor B. H. Meyer, *Nordamerikanische*

¹⁶ “Milk Producers’ Protective Association *v.* Railways,” *I. C. R.*, Vol. VII.

¹⁷ *The Milk Supply of Boston, New York and Philadelphia*, p. 34.

Eisenbahnen, by Privy Councilors W. Hoff and F. Schwabach. The authors state that the dairy cows maintained in Berlin supply "in the main" (*hauptsächlich*) milk for infants and for others who desire "sanitary" milk (*Sanitätsmilch*),¹⁸ for which they are willing to pay from 10 to 12.5 cents a quart—double, or more than double, the price of ordinary milk. If the whole, or the great bulk, of the 10,567 cows in Berlin in December, 1904, are kept in Berlin because the public desire to obtain milk from dairies which they can daily inspect in person, which dairies must therefore of necessity be located within the city, then my statements concerning these cows must be withdrawn. But I should want a more unqualified, as well as a more precise, statement than the one made by Messrs. Hoff and Schwabach, before I should accept it as a fact that 18 per cent. of the milk consumed in Berlin is milk which costs from 10 to 12.5 cents per quart. On the other hand, Messrs. Hoff and Schwabach's statement of course in no way modifies the force of my remarks concerning the concentration of the dairy industry in the immediate neighborhood of Berlin, through the distance tariff, and the exclusion of the distant farmers from all participation in the profitable business of supplying Berlin with milk. Nor does it in any way modify the fact that such milk as is brought in by rail is produced on land that is dearer than is the more distant land—a fact which, of course, keeps the price of milk at a higher level than would obtain under the adjustment of freight rates on the group-rate basis.

Finally, Privy Councilors Hoff, Schwabach, and von der Leyen, fail completely to grasp the point of the argument in the course of which I make the statement that there are 14,000 cows in Berlin. They labor under the impression that I was comparing the level of milk rates in Germany with that in the United States. As a matter of fact, I was arguing against the Interstate Commerce Commission's doctrine that the near-by producer must be protected against competition from the distant producer. I said:

¹⁸ "Es handelt sich hierbei hauptsächlich um die Gewinnung von Kindermilch und sonstiger Sanitätsmilch.

The milk traffic is exceptionally expensive to handle, and can be made to pay only if it can be increased to large proportions. But it cannot be increased to large proportions, unless the charge shall be kept down to such a point that it will be worth while for the farmer who is a long way from New York to go into the dairy business. That charge, in turn, cannot be kept down unless the charge to the near-by farmer can be kept up. Therefore such cutting into a group rate as the commission practiced in this case, tends to leave unremunerative the group rate so operated upon, and thus is likely to discourage the railways from extending existing group rates, or establishing new ones.

The milk traffic, as conducted in New York state, is expensive, because it involves the cooling of the cars with ice in the summer, and the warming with steam-heat in the winter; as well as the erection of many local receiving stations where the milk is kept at a uniform temperature of 40° Fahrenheit from the time it is delivered by the farmer until it is put upon the railway car. Since they have none of these facilities in Germany,¹⁹ the experience of Germany with milk rates based on the distance principle, and the theory that the near-by farmer may not be deprived of the advantage of his location, afford no data which can be used in an attempt to overthrow the argument made on pp. 380-87 of *Government Regulation*. At present 60 per cent. of the milk brought into Berlin remains on the train two hours, or less; 30 per cent. so remains between two hours and four; and only 10 per cent. so remains upward of four hours. Very rarely does milk remain on the train longer than six to seven hours. At some future time, when they shall be bringing milk to Berlin from points 400 miles distant, our children or grandchildren will be able to argue from Prussian experience. But we shall not live to read their arguments.

The next one of Professor B. H. Meyer's criticisms that I shall consider is his statement: "*I have by no means tested all his references, but I have found so much unreliability in those which I have examined that I am convinced that the book is untrustworthy also in this respect.*"²⁰ This statement follows upon

¹⁹ W. Hoff and F. Schwabach, *Nordamerikanische Eisenbahnen*, p. 270.

²⁰ The italics are mine.

the words: "On p. 7 he gives a general reference to a review of a book on the 'statistical description of the city of *Frankfurt on the Main.*'" If this criticism were well founded, every reader would indeed be compelled to condemn *Government Regulation* as an absolutely dishonest book; for the book would contain a trumped-up reference made in support of the most serious charge brought against government regulation of railway rates in Germany, to wit, that in 1894 the Prussian government bought the votes in the German Reichstag, of the representatives of south-western Germany, by raising the rates on grain and flour to such a point that grain and flour from eastern Germany no longer were able to move by rail to southern and western Germany, there to compete with the grain and flour of southern and eastern Germany. The reference I give is in fact a reference to a review of W. Borgius' *Mannheim und die Entwicklung des südwestdeutschen Getreidehandels*. That review is from the pen of Mr. K. Wiedenfeld, one of Germany's most authoritative writers upon grain rates. In it Mr. Wiedenfeld states that the low rates discussed in *Government Regulation* were repealed in order to obtain the assent of the south German governments to the imperial bill authorizing a commercial treaty with Russia. Mr. Wiedenfeld happens to be an eminent authority, and I had to take his evidence from wherever I could find it, even though it was a book review in Professor Schmoller's famous *Jahrbuch*.

I am, of course, bound to assume that Professor B. H. Meyer's criticisms are made in perfect good faith, and after careful scrutiny as well as weighing of all the facts. For that reason I am utterly at a loss to understand how Professor B. H. Meyer could possibly have come to intimate that I had cited a trumped-up reference.

The next reference to which Professor B. H. Meyer takes exception is at the end of a sentence on p. 109 of *Government Regulation*. The sentence reads: "On the following day,²¹ Sunday, the king convened the *Kronrath* and signed the papers for the removal of some eighteen *Landräthe* and *Regierungspräsidenten*

²¹ That is, the day after the diet had rejected by a vote of 235 to 147 the proposal to build the so-called "Midway" Canal.

who had voted adversely." In support of this simple statement of fact, which attributes no opinions whatever to anyone, I cited a number of references. Among those references were two articles, written respectively by Professor Schmoller and by Professor Lotz, and called forth by the dismissal. I do not suggest anything concerning Professor Schmoller's views, or Professor Lotz's views. I refer to the articles, first, because they corroborate my statement of fact; second, because they are highly instructive. Professor B. H. Meyer includes this reference among those which he has found "untrustworthy," on the ground that the reference "tends to convey the impression that eminent scholars like Schmoller support his [my] views."

Professor B. H. Meyer says :

On p. 31, where Professor Meyer discusses opposition to the principle of what the traffic will bear, he refers to Ulrich's *Staffeltarife und Wasserstrassen*. This is a book of 234 pages, and the specific reference should have been given, for on p. 76 Ulrich states that freight rates on waterways regard the value of goods much less than railway rates do;²² and on p. 138 Ulrich says that gains in traffic on artificial waterways are largely attributable to the unequal treatment by the state of railways and waterways, favoring the latter by not compelling them to earn interest on the investment.

The reference to which Professor B. H. Meyer objects occurs at the end of the following sentence :

The opposition today under the empire to the introduction of tapering rates and rates based on the principle of charging what the traffic will bear, is, indeed, precisely the same kind of opposition as that which had to be overcome before the *Zollverein* itself could be established.

I made no specific references in this case ; first, because the specific references would have become so numerous as to give the impression of pedantry ; secondly, because the book in question is so instructive that I wished to bring upon the reader who had access to the book, and desired to inform himself, a mild pressure to read the book as a whole. Mr. Ulrich's book has two dis-

²² Charging what the traffic will bear does not necessarily and always mean that commodities of comparatively high value will be charged more than commodities of comparatively low value. In the United States, for example, the railways south of the Ohio and Potomac, for the purpose of fostering the southern cotton mills, at one time charged a lower rate on cotton manufactures shipped to certain points than they charged on raw cotton.

tinct theses. One is: there can be no industrial and agricultural development without those destructions of value and impairments of value which are the necessary accompaniment of progress, and it is high time that we (Germany) put an end to that "senile fear" of the growing pains of progress which, unfortunately, is so powerful in our district railway councils, and for years past has been paralyzing our railway rate policy (p. 57). The railways should be given a free hand to develop traffic, and thus develop the country as well as increase their revenues. Mr. Ulrich's second thesis is, that the government should not only remove the shackles from the railways, but should also paralyze the waterways by imposing tolls. I do not agree with the second thesis, for reasons which I cannot take the time and space to enumerate. But the fact that I do not agree with one of Mr. Ulrich's theses constitutes no reason why I should not refer the reader to his book, not only for corroboration of my statements of fact, but also for the purpose of drawing the reader's attention to one of the most instructive books extant on the German railway-rate situation.

Professor B. H. Meyer next says: "On p. 67 the author refers to an essay of 247 pages, without indicating the exact place." The essay in question, Mr. Ulrich's *Staatseisenbahnen, Staatswasserstrassen und die deutsche Wirtschaftspolitik*, happens to be 48 pages in length. My reasons for making a general reference in this case were the same as those in the preceding case.

I have now exhausted Professor B. H. Meyer's discussion of the "untrustworthy" character of the references in the chapters of *Government Regulation* dealing with Germany. It remains to discuss Professor Meyer's criticism of the chapter on France. The critic says:

Here, as in most parts of the book, the references are very general or entirely wanting. The author quotes, for instance, Colson's *Transports et tarifs* a number of times without specifying the page. Colson is good authority. This one of Colson's volumes contains nearly 700 pages. Colson is diametrically opposed to the author in his views regarding France; yet he is apparently quoted as siding with the author. . . .

In ten pages dealing with France I have thirteen footnotes, some of the latter containing numerous references. There are five ref-

erences to M. Colson's book. Four of them are statistical quotations, and cannot by any possibility be said to ascribe or impute any opinion to M. Colson. The fifth reference is on p. 132, at the end of the closing sentence of the chapter. The sentence reads:

Finally, freedom for these roads to make rates in competition with the waterways would cause a general level of low rates to be diffused over the whole country, and would do away with the extraordinary discrimination which now exists in France in favor of districts supplied with waterways and against those supplied with railways alone.

The reference to M. Colson's book was intended to indicate that in the book one would find a wealth of statistical material corroborating that assertion. It may be that I should have said in the footnote: "For statistical data justifying this conclusion, see M. Colson's *Transports et tarifs*." My failure so to do, if it was a fault, must be ascribed to ignorance of the niceties of the use of references; not to any intention to mislead the reader.

In reply to Professor B. H. Meyer's allegation that "M. Colson is diametrically opposed to the author in his views regarding France," I shall summarize the article written by M. Colson for the *Bulletin of the International Railway Congress*, April, 1899. This article was written a year after the publication of *Transports et tarifs*. M. Colson says that the railways of France could meet any rates that the waterways could make, if the government would permit the railways to reduce their rates to points where there is water competition, without insisting that the railways simultaneously reduce all their rates to all so-called non-competing points. The government's refusal to permit free competition between waterways and railways M. Colson denominates an "entirely unjustifiable policy." He states that there is serious discrimination in France in favor of the districts served by waterways, and against the districts served by railways only; that the discrimination is all the more grievous because it gives the manufacturers along the waterways the advantage of the fact that the waterways neutralize the customs duties in part by means of low transportation charges, whereas the railways are compelled to supplement the customs duties by keeping rail-

way charges high; that the aforesaid discriminations have led many manufacturers to locate alongside of waterways.

The reader will perceive that if M. Colson has not yet arrived at the position taken by me in the sentence just quoted, he is in a fair way of reaching that position before long. Meanwhile, whatever may be M. Colson's position, it would be a misuse of language to describe it as being "diametrically opposed" to the statement made on p. 132, the only statement as to which the most painfully exact critic could say that I had cited M. Colson in support of my view.

The chapters on Russia, Austria-Hungary, and Australia contain no footnotes, for the reason that those chapters were reprinted from the *Railway Age*, and that I had not the time to insert footnotes, if the book was to be put on the market in time to contribute to the discussion of the proposal to give the Interstate Commerce Commission power to substitute a rate for the one found to be unreasonable.

Professor B. H. Meyer's statements on p. 93 of this *Journal* for February, 1906, convey the impression that I have relied on the German daily newspaper press for information. In the chapters on Germany I give about 300 references. Three references are made to *Die Nation*, a weekly newspaper; and six are made to the *Münchener Allgemeine Zeitung*, a daily newspaper. The remaining "newspaper" references are references to trade journals and engineering journals of the highest standing. As to Professor B. H. Meyer's suggestion that I appeal to the result of a "popular vote" by way of argument, I may state that nowhere do I mention, or allude to, a popular vote. Nor do I anywhere base any argument on a vote in Parliament. I base an argument upon the parliamentary debates which preceded two votes in Parliament. The outcome of those votes, however, I give merely for the purpose of completing the narrative.

On p. 94 Professor B. H. Meyer has a passage which I do not understand; but if I may venture to "guess" at its meaning, I may state that it seems that I allowed my "personal convictions

and opinions on the matter of inland waterways in general to stand in the way of a truthful representation of facts of German railway history." The passage seems to intimate that my representation is untruthful, in that I "attribute the revival of canal-building in Prussia to the failure of the railways, and to the necessity of creating competition [between waterways and railways] for [the purpose of lowering] rates;" and in that I, furthermore, argue that the Prussian government proposes to do the inconsistent thing of creating "a second monopoly [to wit, of carrying on transportation upon the waterways] for the purpose of regulating the first" (monopoly—to wit, that of the railways).

If the reader will turn to the chapter on "The Recent Canal Bills," he will find that I give a full account of the arguments *pro* and *con*, that no colored statement is made, and that nothing is withheld. He will find that my conclusion that in Germany the railways, if permitted to charge what the traffic will bear, could make lower rates than canal and river vessels can make, rests upon honest and careful arguments. The reader may conclude to disagree with my conclusions, but he will not suspect me of dishonesty.

The reader will find also that on pp. 112 and 113 I give at length the statement of Mr. von Miquel, Prussian minister of finance, that there was to be no keen competition between the waterways and the railways. I expressly recite Mr. von Miquel's statement that those manufacturers and miners who were supporting the canal bill because they expected keen competition between the waterways and the railways, were destined to suffer sore disappointment.

Nowhere in my account will the reader find even a suggestion that it is proposed that the state assume the monopoly of "towing" on the canals, or that it assume the monopoly of carrying on transportation on the waterways as a whole. Therefore all of Professor B. H. Meyer's intimations to the effect that I gave an untruthful account, all such intimations based on alleged statements as to the monopoly of towing, are entirely without warrant of fact.

In passing, I may add that Professor B. H. Meyer's statement that the Prussian government has a monopoly of towing on three canals is without basis in fact. His statement will become true whenever the western canals authorized by the act of 1905 shall have been built, sometime about 1910 or 1912.

At the bottom of p. 96 Professor B. H. Meyer says:

In the opinion of Professor Hugo R. Meyer, the conflict of sectional interests continually results in deadlocks which prevent reductions in rates. Such a conflict of interests exists in Prussia. It exists also in the United States. In Prussia all these conflicts take place in the full light of publicity. The proceedings of councils and committees and the legislature reveal every phase of every railway-rate question which is brought forward. A decision is formally made, and the defeated party or interest naturally feels dissatisfied and complains. By accumulating utterances of the discontented for a quarter-century back, the author has construed his indictment of the Prussian system. . . .

I shall test by reference to the facts the statement that I have made an indictment resting upon the accumulated utterances of the discontented. The "discontented" are quoted in the chapter on "The Conflict of Local Interests." In that chapter I four times quote Mr. von Thielen, minister of railways from 1891 to 1902; I quote once each of the following men: Mr. von Miquel, minister of finance from 1890 to 1902; Mr. von Maybach, minister of railways from 1878 to 1891; Mr. Todt, an eminent Prussian railway official; the Prussian minister of foreign affairs in 1900; and Baron von Stumm, head of the great v. Stumm coal and iron properties in Alsace-Lorraine. Finally, I quoted twice Mr. Jencke, chairman of the Krupp companies, then the largest industrial concern in continental Europe. My list of "discontented" contains no one else.

On pp. 103 and 104 Professor B. H. Meyer gives the upshot of his interviews with Prussian parliamentary leaders; and gives public circulation to a statement made in a private conversation, by a man whose name is not divulged, to the effect that I am both dishonest and insane. Professor B. H. Meyer's words are:

Among other things, I asked each of them this direct question: "Is there anything of consequence in the railway experience of Prussia which

could be construed as an argument against effective control of railway rates in the United States?" Every one of them answered with an emphatic "No." When I told one of them that the utterances of parliamentary leaders like himself were being used in the United States to influence public opinion against President Roosevelt's railway policy, he pronounced such attempts as dishonest and insane.

If the reader will turn to the chapter on "The Recent Canal Bills," he will find some illuminating parliamentary utterances; but he will find no evidence that the author of the chapter is either dishonest or insane.

One of the most striking things about the history of the intervention of the state in the business affairs of its citizens is the fact that, no matter how unsatisfactorily such intervention works in practice, the general public does not become aware of the ill effects of the intervention. That is true of municipal ownership in Great Britain, of state-ownership in Germany, France, Italy, Austria-Hungary, Russia, and, above all, of state-ownership in Australia and New Zealand. I can here only state this as an observed fact, the result of long-continued and minute investigation. To state the reasons for that observed fact is beyond my powers. Such a statement could be made only by a highly philosophical mind, gifted with rare power of insight into the working of politics. A middle-aged man of discretion would not undertake the task, which is one to be taken in hand only after one has spent a lifetime in study and reflection.

That the Germans, with very rare exceptions, have not become aware of the unfortunate working of government-made railway rates is due, in part, to the fact that, with rare exceptions, they have no conception of what may be achieved by a railway that is efficient in the American sense of the word, and is in the hands of men who are free to adjust the railway charges with an eye single to the development of traffic, which means the development of industry.

A German political economist, Professor Lotz,²³ recently has published his impressions, gained upon a tour of inspection of one of the railway systems running from Chicago into the Northwest. He says:

²³ In *Patria: Jahrbuch der "Hilfe,"* 1903.

"He who controls transportation holds in his hand the most marvelous engine in existence for forcing economic development. To illustrate: In the West of the United States I met a railway official who, as a private citizen, dares to try to do for Wisconsin and Minnesota what Colbert, backed by all the power and resources of an absolute monarchy, scarcely could do for the France of Louis XIV, to wit, to create great industries. The railway in question was anxious to establish industries in its territory, because the revenue to be obtained from hauling farm produce was inadequate as well as fluctuating, depending upon the season of the year, as well as upon the success or failure of the crops. Industries that would give rise to a steady flow of traffic were needed. It was a marvel to behold how those industries were created. Search was made for clay adapted to the making of bricks and sewer pipes; for ores; for timber; for raw materials of any kind that could be made the foundation of a new industry. Even straw that was going to waste was not overlooked. The raw material having been found, the railway induced eastern capital to establish industrial plants, upon the promise of rates that would give the products a market. If those of us Germans who are anxious to establish industries in our agricultural East, but knew how American railway-rate practices could be made to aid us in the realization of our ideal, it might not be entirely impossible for us to do more than we have done in the past.

The most powerful engine for forcing economic development is wise railway-rate practices. We in Germany are only beginning to realize that. Perhaps I may be permitted to indulge in a day-dream, and to imagine that it were possible for us to overcome the fiscal, bureaucratic, and parliamentary obstructions to railway-rate reform. What marvelous things the state might then achieve by means of wise railway-rate practices. . . . Our bureaucracy may disregard the counsels of the district railway councils. It has great—almost uncontrolled—power in the field of railway rates. In the main, our bureaucracy holds that to make railway-rates in accordance with the public weal means to make them in accordance with the idea of "protection." Many years will elapse before this spirit will have vanished.

And elsewhere²⁴ Professor Lotz says that, with the spread of the notion that railway rates should be adjusted with an eye to protecting German industry against foreign competition, that notion is developing into the demand that railway rates be so adjusted as to protect the German producer and manufacturer from the competition of his German rivals. He adds that the reason why the waterways have been able to render German trade and industry the signal service which they have rendered lies in large part in the fact that the waterways have been a high-

²⁴ W. Lotz, *Die Verkehrsentwicklung in Deutschland, 1890-1900*, pp. 112-17.

way upon which traffic has been permitted to move unhampered by the opinions held from time to time by the government of the day and by the parliamentary majorities of the day.

Professor Lotz's last words call to mind the fact that some eight years ago the government of Würtemberg refused to allow the "towing" company which tows vessels up the Neckar River to lower its charge for towing grain up-stream, lest the farmers of Würtemberg be exposed to the competition of cheap grain.²⁵ Fortunately for Germany, there are few German rivers upon which any German state can exercise control over the traffic.

The reader should compare the illuminating remarks made by Professor W. Lotz in Germany in 1900, with the equally illuminating remarks made in France, in 1903, by M. Yves Guyot, who, at one time, had been minister of public works for three years. Said M. Yves Guyot:

A waterway is an exceedingly handy thing to have near by, for freight moves upon it under freedom from government regulation. If you are near a waterway, you will not suffer the disappointment which a certain rolling-mill near Briex has just suffered. The market for steel and iron being depressed, this concern found it more profitable to export its iron ores than to smelt them. But upon asking the public authorities to approve of the railway making a rate which should permit the aforesaid exportation of the iron ores, it met with a rebuff. Under instructions from M. Jozon, director of navigation, the state officers vetoed the railway rate in question, on the ground that so low a railway rate would upset the calculations by means of which M. Jozon had convinced himself that the proposed canals could be made to earn interest as well as the cost of maintenance.²⁶

Having in mind the foregoing illuminating statements from Professor Lotz and M. Yves Guyot, as well as an overwhelming mass of additional facts, taken from all parts of continental Europe, and reproduced only in part in *Government Regulation*, I made the following statement in the "Introduction" to *Government Regulation*:

²⁵ *Jahrbuch für Nationalökonomie und Statistik*, Heft 1, 1905, p. 56 of "Miszellen."

²⁶ Yves Guyot, *Les voies navigables et le programme Baudin*, p. 32.

In continental Europe the regulation of railway rates by public authority has reduced the railway manager largely to a man who sits in his office and orders his subordinates to run trains back and forth. In America the absence of restriction upon the railway manager—beyond that imposed by the common law—has allowed the American railway manager to become the most powerful single factor in our national life for the discovery and the development of the resources of our country, and the promotion of trade and industry.

For the guidance of the hurried reader I inserted the side note: "The Railways our Greatest Promoters of Trade."

This passage, subsequently supported by page upon page of specific instances, leads Mr. Henry C. Adams, professor in the University of Michigan and statistician to the Interstate Commerce Commission, to say, in the *Yale Review*, February, 1906, that I have misrepresented European conditions. Professor Adams' words are:

And what shall be said of a writer who asserts that the railway manager of continental Europe is a man who "sits in his office and orders his subordinates to run trains back and forth?" Of course, in an intercollegiate debate such a gibe may be allowed to pass; but in a serious discussion of a problem that touches the interests of millions of people, it is evidence either of ignorance or wilful misrepresentation. It is, however, typical of the attitude of mind that characterizes this book from cover to cover.

The attentive reader of *Government Regulation* will, I believe, agree with me that my statement is not a gibe,²⁷ but a discriminating and sympathetic statement. I do not say that the traffic manager of continental Europe is a man who "sits in his office," etc. I say that the public regulation of railway rates in continental Europe "has reduced the railway manager largely to a man who sits in his office." I do not sneer at, or taunt, the European traffic manager. On the contrary, I show that I sympathize with him in the unfortunate position in which he finds himself in consequence of the government regulation of railway rates between rival producing and distributing points. I cite instance

²⁷ *Century Dictionary*: 'Gibe: a tauntingly or contemptuously sarcastic remark; a railing; an expression of sarcastic scorn.—Syn. Taunt, jeer, sneer, flier, insult, reproach. 'When it was said of the court of Frederic that the place of king's atheist was vacant, the gibe was felt as the most biting sarcasm.'—Bancroft, *Hist. U. S.*, I, 360.'

after instance to prove that, if the traffic manager of continental Europe were given a free hand to develop into "a builder of empires," he would prove himself little, if at all, inferior to the American traffic manager. For example, the chapter on "Austria-Hungary and the Danubian Provinces" opens with an admiring account of the statesman-like railway-rate practices by means of which, as far back as the period from 1860 to 1877, the traffic managers of the railways serving Stettin, at the mouth of the Oder, on the Baltic Sea, drew grain to the port of Stettin from Roumania, and even from the territory lying to the north of Odessa, in Russia. I showed that the assumption by the state of the Prussian railways completely wiped out that trade.

The statement to which Professor Henry C. Adams objects is critical, discriminating, and impartial—when read in the light of the evidence marshaled in its support. We have in this country a large body of political economists and historians who have assumed to lay down the law that no man can be a scholar, or have a judicial mind, unless he shall refrain from advocating a policy, or from expressing himself unequivocally and vigorously. With those gentlemen I cannot agree. It is the duty of the scholar, teacher, judge, and statesman, to suspend judgment until he shall have established, by painstaking investigation and careful as well as prolonged consideration, his right to an opinion and a conviction. After that it continues to be his duty to hold himself ready to modify or reverse his conviction upon the appearance of new evidence. But it is no part of his duty to climb the nearest fence, and ever after refuse to come down, if I may speak colloquially. I have read much—as a layman—in that admirable literature, the *Reports* of our federal courts. That reading has not taught me that the minds of our learned, wise, and statesman-like judges are the minds of men incapable of arriving at definite conclusions, incapable of taking a position, and supporting that position in language as unequivocal as it is vigorous.

On pp. 99–103 Professor B. H. Meyer cites a large number of specific rate reductions and specific increases of traffic, in support of the contention that the Prussian railway rates meet the needs of Prussia's trade and industry.

In my opinion, one cannot find the answer to the question under discussion by the method of examining individual railway rates. The only tests of the reasonableness of the railway rates of a country as a whole, in my opinion, are: the relation over a series of years between average receipts per ton-mile and the general level of prices; the success with which the railways bind together with the bonds of trade the widely separated regions of the country; and the success with which they aid in the utilization of the resources of soil, and promote the exploitation of the possibilities of manufacture and trade, no matter where those resources and possibilities may lie or be. Measured by those tests, the railway rates of Prussia have failed signally.

I shall not repeat the evidence given upon this matter in *Government Regulation*. I shall content myself with reciting the conclusions of the Prussian government itself, published in one of the "Blue Books" which the Prussian government laid before the diet in support of its canal bill of 1904-5. The document states that the government has examined minutely the geographical distribution of Germany's industries, as well as the respective rates at which the industries located in different localities have grown. The conclusions are that, though the meshes of the railway net are being drawn closer and closer, through the building of new railway lines, industry is turning more and more to the regions supplied with waterways in addition to railways; that is true not only of industry as a whole but also of the majority of the several and separate branches of industry; and particularly true of industries dependent upon raw materials supplied by the farm and the forest; that in the past the waterways have made possible the utilization of resources of soil that it had been impossible to utilize so long as dependence had to be put in the railways. And on February 5, 1905, the Prussian minister of finance, Baron von Rheinbaben, arguing in support of the canal bill, said that it would be utterly impossible to decentralize industry, unless it should prove possible to enlarge the area in which fuel could be obtained cheaply, by enlarging the area served by canals and "improved" rivers. And, turning to the parliamentary representatives of the landed aristocracy, which dreads the industrial

development of Germany, for reasons set forth in *Government Regulation*, the Prussian minister of finance continued:

Gentlemen, you cannot arrest the growth of industry. All that you can do is still further to concentrate our industries within the comparatively small areas lying immediately adjacent to the coal supplies. But if you shall do that, there will be upon your heads the responsibility for the further increase of those economic, sanitary, and political evils which have resulted from the past concentration of our industries, and are at this very moment a source of grave concern.²⁸

Thus we find the minister of finance in autocratic Prussia re-echoing the words of the most forceful statesman in democratic Australia. And in each case the occasion that called forth the statesmanlike discourse was the evils caused by government-made railway rates.

On March 29, 1905, the minister of railways, Mr. von Budde, stated in the upper chamber of the Prussian Parliament that the government had abandoned the so-called "Mid-way Canal," since extensive interests in the East protested that the canal would injure their vested trade rights. He added that the attitude of the East in this matter was precisely similar to the position taken by the West and by middle Germany in the matter of certain tapering rates on eastern products. He added that the Railway Department was ready to make tapering rates more freely, as it had been for years. He referred to repeated utterances in Parliament to this effect, made by his predecessor, Mr. von Miquel.

Professor B. H. Meyer, and Privy Councilors von der Leyen, Hoff, and Schwabach, insist that, so far as the potentialities of long-distance traffic are concerned, the United States differ so vitally from the countries of continental Europe that no comparison can be made between those respective countries. If space were available, I could continue indefinitely the argument made in *Government Regulation*, by the citation of specific instances, that there is room for an enormous development of long-distance

²⁸ *Deutscher Reichsanzeiger und Königlich Preussischer Staatsanzeiger*, February 7, 1905.

traffic both within the separate countries of continental Europe and between the several countries; that the development of long-distance traffic within the separate countries is checked by the regulation of intra-state railway rates on the principle of local protection; while the development of long-distance interstate traffic is checked by the practice of supplementing the customs duties with railway-rate regulation hostile to the development of interstate traffic. It seems to me that upon all of these points the evidence is conclusive.

PART II

PRIVY COUNCILOR VON DER LEYEN'S CRITICISMS IN THE "ARCHIV FÜR EISENBAHNWESEN," JANUARY, 1906.

Privy Councilor von der Leyen, *with his minute knowledge of the Prussian railway history, has been able to discover only one mistake in those chapters of "Government Regulation" which deal with Germany.*

On p. 17 of *Government Regulation* it is stated that the Prussian government, in January, 1900, informed Parliament that the Railway Department would make no additional arrangements for the issue of laborer's return tickets for distances exceeding thirty-two miles, and that the existing arrangements for the issue of such tickets would be discontinued as rapidly as was consistent with the rights of all concerned. I interpreted that announcement to include the withdrawal of the "party" return tickets issued to farm hands traveling in parties from eastern Germany to middle Germany, for the purpose of finding comparatively highly remunerative work in harvesting the beet-sugar crops of middle Germany. *In that I was mistaken.* The government's ruling applied only to those laborers who travel singly, or individually, to middle Germany for the aforesaid purpose. *I accept all the criticism that the error warrants.* But I add that it still is a matter of recorded fact that the Prussian government, under pressure from a class, the landed aristocracy, has raised the passenger fares to be paid by another class of the community, the farm laborers. The force of my remarks upon

Rentengüter is impaired, if not destroyed. But the force of my remarks concerning German political economy remains unimpaired.

To guard against undue weight attaching to my mistake, I shall recite the following passage from Professor Lotz, *Verkehrsentwicklung in Deutschland* (p 89) :

It is a mistake to allow feelings of sentiment to play a part in considering the question of the reform of passenger tariffs. Such feelings can have no force in the way of promoting such reform, for they will be neutralized by the feelings, or desires, of several classes of our community who oppose lower passenger fares. The landed proprietors, especially those of the East, suffer in consequence of the migration of farm laborers into cities. The large farmers fear that the "exodus from the country" of the farm hands will increase with cheaper passenger fares, and that the resulting scarcity of farm laborers will raise wages.

Privy Councilor von der Leyen was, I believe, the discoverer of the fact that there were not 14,000 cows in Berlin in 1902. He also was, I believe, the first one to bring the charge that I had misrepresented the whole of Mr. Brand's article in the *Zeitung*, and that I had suppressed parts of that article that, he alleged, were fatal to my argument. Privy Councilor von der Leyen, as well as Privy Councilors Hoff and Schwabach, also attribute to me a statement which I did not make, namely, that Berlin depended for its milk supply exclusively upon the cows kept within the city.

Privy Councilor von der Leyen believes that he has discovered on p. 358 of *Government Regulation* a trumped-up statement, to wit, the statement that "not long ago a Prussian minister, sadly harassed by transportation difficulties, blurted out: 'Commerce be hanged!'" If Privy Councilor von der Leyen will turn to *Die Nation*, February 2, 1901, he will find two spirited editorials called forth by the statement made in the Prussian diet by Mr. Brefeld, minister of commerce, that "commerce was a necessary evil." He will learn also that this statement led Mr. Arnhold, of the firm of Caesar Wollheim, one of the largest coal-dealers of continental Europe, to serve notice

upon the Prussian government that he would have no further dealings with the government. One would think that an episode of that kind would impress even a Prussian bureaucrat long enough to be remembered five years.

It should be added, however, that the passage on p. 358, as written in my manuscript, read: "Not long ago a Prussian minister, sadly harassed by problems arising out of the extension of the functions of the state, blurted out," etc. I used that expression because I was not able to ascertain, by reference to the debates in the diet, whether the debate had been precipitated wholly by grievances arising from the fact that the government had purchased and was operating extensive coal-mines, or whether it had been precipitated wholly, or in part, by the government making very low rates on coal for export, in order to stimulate coal-mining. My dear friends, Professor and Mrs. Charles W. Mixter, who have put me under great obligation by removing from my manuscript such of its awkward and barbarous turns and phrases as could be removed without the re-writing of the book, changed the clumsy expression under discussion to: "sadly harassed by transportation difficulties." The change escaped my notice. It seems to me not to be a serious one. Of course, I assume entire responsibility for whatever inaccuracy there may be in the phrase.

It is true, as Privy Councilor von der Leyen states, that the German railways have a piece-goods tariff which tapers.²⁹ But since the freight shipped under that tariff amounts to barely 5 per cent. of the total tariff—whether measured in tons or in ton-miles—that tapering tariff is of no consequence so far as the general trade and development of the country are concerned. One would speak of it in a textbook, but not in a book intended for the general reader.

29

Distance in Miles	Cents
Up to 31.25	3.806
Between 31.25 and 125	3.460
Between 125 and 187.5	3.114
Between 187.5 and 250	2.768
Between 250 and 312.5	2.422
Beyond 312.5	2.076

Privy Councilor von der Leyen argues that the chapter on "The Conflict of Local Interests" proves nothing. True, he says, the charges for shipping grain from one place in Germany to another are as high today as they were in 1878; but, he exclaims triumphantly, the charges on grain for export have been reduced, "as Meyer is aware." Shifting his position once more, Privy Councilor von der Leyen points with triumph to the fact that certain tapering rates made from extreme eastern Germany to Berlin in the early seventies *under absence of conflict of sectional interests* remain in force today. After this intellectual *tour de force*, Privy Councilor von der Leyen says that the fact that the export rates on sugar were stationary for twenty-four years proves nothing, for the rates were ultimately lowered. My review of the conflict of sectional interests that kept stationary from 1881 to 1901, the rates on iron ore from Alsace-Lorraine to the Ruhr iron and steel-mills, gives Privy Councilor von der Leyen an opportunity to use his favorite weapon: the charge that I have "concealed" from the reader pertinent facts. My account ends with the words:

In April, 1901, the government again took up the vexed question, hoping to be able to dispose of it by giving the Alsace-Lorraine people reduced rates on coke, in return for the reduction on iron ores to be given the Ruhr people. Alarm at the increasing competition from the American steel and iron industry was what induced the government thus to reopen an annoying controversy.

I left the matter there, for I knew not how it had ended. Not until Privy Councilor von der Leyen's article appeared did I learn that the rates were reduced in 1901. The case is fully covered by my acknowledgment in the *Preface* that the book was published before I had been able to bring all of the lines of my investigation to an end. But Privy Councilor von der Leyen rejects that explanation, and says that I "concealed" the fact that the rates in question were reduced in 1901. Privy Councilor von der Leyen has read the *Preface*, and has found even in it evidence of designing method and sinister purpose. I had published a series of articles on Europe and Australia in the *Railway Age*. The articles on Austria-Hungary, Russia, and

Australia I republished unchanged in *Government Regulation*, because of pressure of work. Partly as a matter of courtesy to the *Railway Age*, partly as a matter of duty to those who had read the articles in their magazine form, I stated that the parts dealing with Austra-Hungary, etc., were not new. Privy Councilor von der Leyen says I "considered it well to be silent about" the Prussian articles. Privy Councilor von der Leyen also informs the public that I am "aiding and abetting" the railroads; and that it was some time subsequent to the publication of the *Railway Age* articles that the author of *Government Regulation* "determined to combat the railroad policy of his government." In the first article in the *Railway Age* Privy Councilor von der Leyen had read as uncompromising a protest against giving the Interstate Commerce Commission power to fix a railway rate as has yet been uttered. But Privy Councilor von der Leyen finally gets his knife into my back, turns it around, and leaves it there. Remembering that on the title-page of *Government Regulation* appear the words, "Assistant Professor of Political Economy in the University of Chicago," Privy Councilor von der Leyen insinuates that I am not opposed to the practice of secret rebates. By the same inspired process of reasoning, he would doubtless conclude, on hearing of the recent termination of my official relations with the University of Chicago, that I had been expelled because of my opposition to secret rebates. Such a conclusion would be as logical, as courteous, and as trustworthy as are his insinuations concerning my motives.

I embrace the opportunity afforded by the publication of this article, to state that there is a serious mistake on p. 389 of "Government Regulation," a mistake which a more careful reading of my reference would have made me avoid. The rates on cream shipped to the creamery at Lincoln, Nebr., are not group rates, but regular mileage rates, the total charge increasing in accordance with the distance.

HUGO R. MEYER.

DENVER.